

By **NJ Voices Guest Blogger/For NJ.com**  
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*In the wake of the financial collapse that sparked the Great Recession, the House of Representatives passed a bill to reform Wall Street without a single Republican vote. The issue now moves to the Senate, which is expected to consider it early next year. **U.S. Rep John Adler (D-3rd Dist.)**, a member of the committee that drafted the bill, discussed it this week with Editorial Page Editor Tom Moran. Here is an edited transcript.*

**Q. How would this bill prevent another financial meltdown?**

A. When Lehman Brothers collapsed last year, the financial markets had what amounts to a heart attack. And the federal government did not have the tools to respond quickly. This bill gives us a mechanism to wind down a failing institution like that without having to shut it down immediately, so we can prevent another catastrophe to the financial markets.

**Q. Why is it so important to control the way these institutions fail, and to make sure it's not sudden and traumatic like Lehman's?**

A. The pain from that failure spread pain throughout the economy. Going forward, we need to make sure the parties involved bear the loss first before anyone else has to suffer. The shareholders and the unsecured creditors should suffer first. And even secured creditors should suffer before it spreads to the whole economy. This gives us that mechanism.

**Q. We can't do that today?**

A. The FDIC has the authority to do it with small banks. This gives us the tools to do it with large banks and groups like AIG.

**Q. What else does the bill do to prevent a repeat?**

A. It creates a Financial Stability Council to identify firms that could pose a systemic risk. If it sees that danger, it can order the firm to shore up capital reserves or avoid risky practices.

**Q. What does it say about executive pay? And is that important?**

A. It is important. We've seen a growing disconnect between performance and pay. This doesn't tell the companies how much to pay their executives, as we do in firms that took bailout money. But it gives shareholders the right to vote on golden parachutes and annual compensation. It allows corporate democracy.

**Q. The bill establishes an agency to protect consumers, no?**

A. Yes. We hear more and more horror stories that are becoming not the exception but the rule. People are being cheated. They are drawn in by teaser rates and if they miss one payment, they pay huge penalties and high interest, like 25 or 30 percent. That's usury. And when the mafia did it, we called it a crime. This agency will protect people from that kind of rip-off.

**Q. President Obama recently described Wall Street bankers as "fat-cats." Was that fair?**

A. I don't think I'd use that term. But the American people are troubled by big banks that take rescue money from taxpayers and then have lavish parties and big bonuses. That's bad judgment.

**Q. Should the president be pressing banks to make loans they are reluctant to make? And how does that square with regulators telling banks to avoid risks at the same time?**

A. We shouldn't be telling banks which particular loans to make. But we saved these big banks from themselves. It seems now they should be willing to help an America that's in such trouble.

The credit-worthy public is frustrated by the banks' failure to pick up the pace of loans.

**Q. What about the credit agencies like Moody's and Standard & Poor's? They gave the green light to risky investment instruments at the heart of this crisis. How does the bill address that?**

A. It wasn't just that the ratings were bad. They were getting paid by the same banks whose securities they were rating. That's a conflict of interest, and it greatly contributed to this problem. We've taken steps to mitigate the conflicts. We didn't go far enough, frankly, and we wish there was a different compensation mechanism. But we did make them more vulnerable to lawsuits from burned investors, and lawsuits can deter bad conduct.

**Q. What should we expect from the Senate?**

A. It may be broken into pieces. A large chunk of what the House passed will be addressed in the Senate by February, particularly the consumer protection agency.